

Introduction to California Air Resources Board Heavy-Duty Vehicle Air Quality Loan Guarantee Program

Presentation to CalCAP lenders
December 5, 2008

Background

- ARB's mission: promote & protect public health
- Diesel air emissions
 - particulate matter (soot, PM) and oxides of nitrogen (NOx)
 - recognized as toxic (increased cancer risk, premature death, etc.)
- On-road vehicles: large source of diesel emissions

In-Use Truck and Bus Rule

- Phase-in requirements start in 2011
 - Requirements for small fleets delayed until 2013
- Phase-in 2010 model year engine equivalent
- Any of 3 compliance options for PM or NOx
 - Best available control technology (BACT), or
 - BACT percentage limits, or
 - Fleet average
- Special provisions

HDV Greenhouse Gas Reduction Measure

- **Tractors:** Tractors pulling 53-foot+ box-type trailers
 - 2011 MY+ new sleeper cab HD tractors SmartWay certified by January 1, 2010
 - 2011 MY+ HD tractors use low-rolling resistance (LRR) tires by January 1, 2010
 - All HD tractors use LRR tires by January 1, 2012
- **Trailers:** 53-foot+ box-type pulled by HD tractors
 - 2011 MY+ box-type trailers: SmartWay certified *OR* retrofitted with SmartWay approved technologies by January 1, 2010
 - 2010 MY and older box-type trailers must comply by
 - January 1, 2013; or
 - Other Compliance Schedules (e.g., optional, refrigerated fleets...)

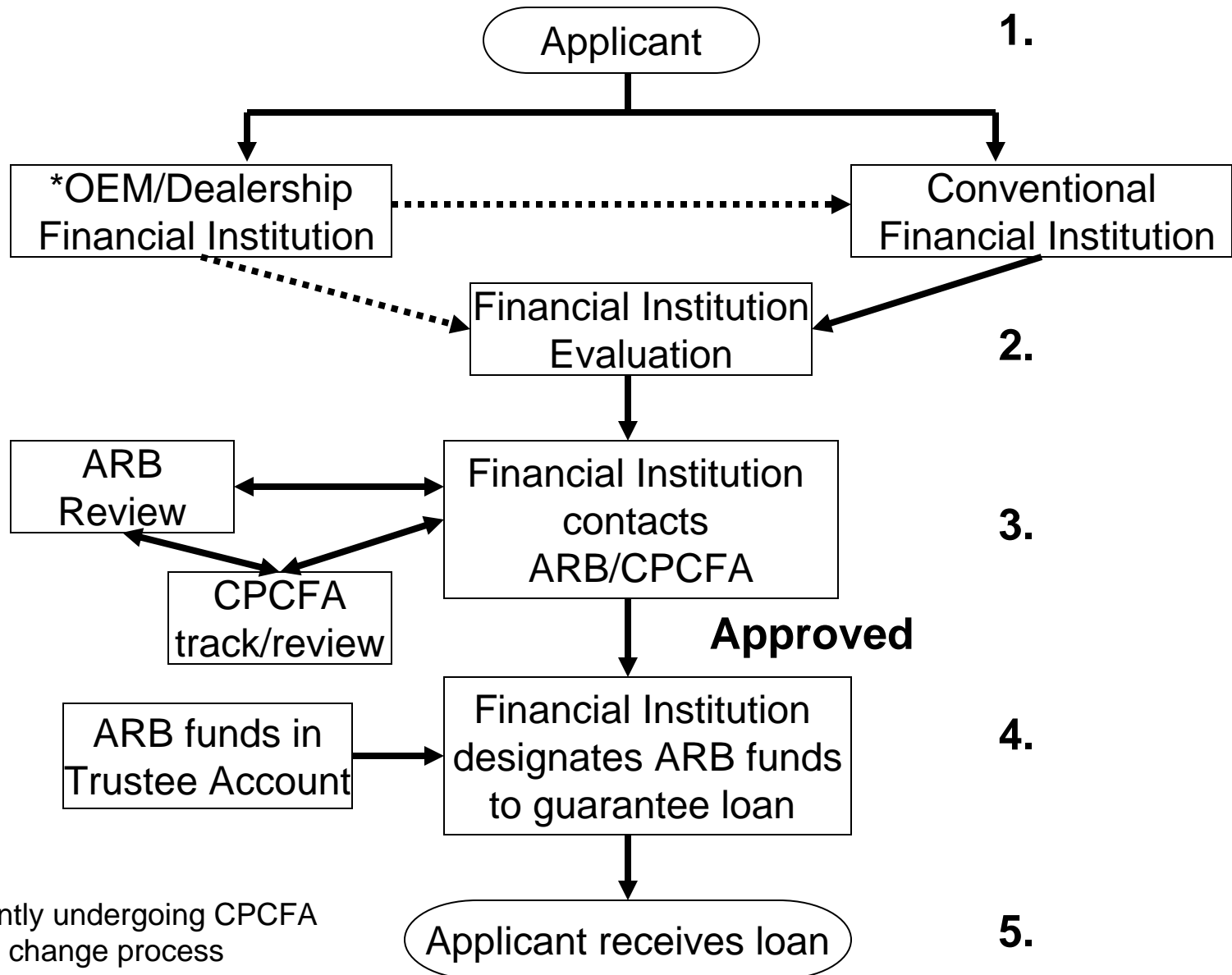
Impacts/Scope

- Significant statewide costs (~\$5 to \$6 billion) associated with staff's regulatory proposals
- Large number of fleets/vehicles impacted
 - Approx. 380,000 CA registered vehicles
 - Approx. 940,000 total impacted vehicles
- Insufficient grant funding
- Access to traditional incentive grant funds limited by grant criteria
- Current tight credit market

CalCAP ARB IC Program

- Special HDV CalCAP Provisions
 - ARB sole contributor to loan loss reserve (14%)
 - Establish separate loan loss reserve from other CalCAP
- ARB: Develop program requirements, e.g.,
 - Products eligible for financing
 - Fleet size and region of operation
 - Financial hardship criteria
- CPCFA: Assist with the financing framework
- Lending institutions: Evaluate/approve loans

Potential Program Structure



*Currently undergoing CPCFA statute change process

Products to Finance

- Financing for vehicle upgrades to comply with regulatory requirements:
 - ARB-verified PM and/or NOx exhaust retrofits
 - Used, lower-emitting trucks
 - SmartWay-approved energy efficiency retrofits (low-rolling resistance tires, aerodynamic skirting and fairings)
 - New trucks (with SmartWay technologies)

Examples of Loan Product Packages

Examples of Products Eligible for Financing	Estimated Purchase Amount
PM exhaust retrofit on in-use truck; low-rolling resistance tires	\$17,000
Used truck (2007); low-rolling resistance tires; SmartWay energy-efficiency retrofit for trailer	\$90,000
New truck and trailer (2010) with SmartWay energy-efficiency technologies	\$160,000

Eligibility

- Small fleets: ≤ 10 vehicles
- < 100 employees & $< \$10$ mil annual revenues
- Operate at least part time in California
- Difficulty obtaining conventional financing
- Priority applicant is “nearly-bankable”
- Program does not target high-risk applicants

Timeline

Dec. 2008	Develop program structure, administrative requirements, technical criteria; Report to Board on program
Dec. '08-Spring '09	Finalize program with CPCFA and other financial institutions; conduct program outreach
Starting Spring 2009	Loans available for fleets
Starting July 2009	Periodic program assessments

Outreach

- ARB and CPCFA traveling through CA in Dec. and Jan. to promote program with lenders and dealerships
- Seek to identify lenders issuing truck loans
- Collaborate with lender outreach efforts
- Appreciate lender support letters or testimony for Board Hearing 12/11 & 12/12

More Info

- ARB's Heavy-Duty Vehicle Air Quality Loan Program
 - <http://www.arb.ca.gov/ba/loan/on-road/on-road.htm>
- ARB's Pilot Off-Road Loan Incentives Program
 - <http://www.arb.ca.gov/ba/loan/off-road/off-road.htm>
- ARB's AB 118 website
 - <http://www.arb.ca.gov/msprog/aqip/aqip.htm>
- Sign-up for automatic e-mail notifications
 - <http://www.arb.ca.gov/listserv/loan.htm>

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